**Political economy** refers to the political, economic, and legal systems of a country.

**Political system** refers to the system of government in a nation.

**Collectivism** refers to a political system that stresses the primacy of collective goals over individual goals.

**Socialists** believe in public ownership of the means of production for the common good of society.

In the early twentieth century, the socialist ideology split into two broad camps. The *communists* believed that socialism could be achieved only through violent revolution and totalitarian dictatorship, whereas the *social democrats* committed themselves to achieving socialism by democratic means, turning their backs on violent revolution and dictatorship. Both versions of socialism waxed and waned during the twentieth century.

**Privatization** is the sale of state-owned enterprises to private investors.

**Individualism** is an emphasis on the importance of guaranteeing individual freedom and self-expression.

**Democracy** refers to a political system in which government is by the people, exercised either directly or through elected representatives.

**Totalitarianism** is a form of government in which one person or political party exercises absolute control over all spheres of human life and prohibits opposing political parties.

**Representative democracy** is a political system in which citizens periodically elect individuals to represent them in government.

**Communist totalitarianism** is a version of collectivism advocating that socialism can be achieved only through a totalitarian dictatorship.

**Theocratic** **totalitarianism** is a political system in which political power is monopolized by a party, group, or individual that governs according to religious principles.

**Tribal** **totalitarianism** is a political system in which a party, group, or individual that represents the interests of a particular tribe (ethnic group) monopolizes political power.

**Right-wing totalitarianism** is a political system in which political power is monopolized by a party, group or individual that generally permits individual economic freedom but restricts individual political freedom, including free speech, often on the ground that it would lead to the rise of communism.

In the archetypal pure **market economy**, all productive activities are privately owned, as opposed to being owned by the state. Production is determined by the interaction of supply and demand and signaled to producers through the price system.

In a pure **command economy**, the government plans the goods and services that a country produces, the quantity in which they are produced, and the prices at which they are sold. Consistent with the collectivist ideology, the objective of a command economy is for government to allocate resources for “the good of society.” In addition, in a pure command economy, all businesses are state owned, the rationale being that the government can then direct them to make investments that are in the best interests of the nation as a whole rather than in the interests of private individuals.

The **legal system** of a country refers to the rules, or laws, that regulate behavior along with the processes by which the laws are enforced and through which redress for grievances is obtained.

**Common law** is based on tradition, precedent, and custom.

A **civil law system** is based on a detailed set of laws organized into codes.

A **theocratic law system** is one in which the law is based on religious teachings.

A **contract** is a document that specifies the conditions under which an exchange is to occur and details the rights and obligations of the parties involved. Some form of contract regulates many business transactions. **Contract law** is the body of law that governs contract enforcement.

**United Nations Convention on Contracts for the International Sale of Goods (CISG)** is a set of rules governing aspects of the making and performance of commercial contracts between sellers and buyers who have their places of business in different nations.

**Property rights** refer to the legal rights over the use to which a resource is put and over the use made of any income that may be derived from that resource.

In terms of violating property rights, **private action** refers to theft, piracy, blackmail, and the like by private individuals or groups.

**Public action** to violate property rights occurs when public officials, such as politicians and government bureaucrats, extort income, resources, or the property itself from property holders.

**Foreign Corrupt Practices Act** is U.S. law regulating behavior regarding the conduct of international business in the taking of bribes and other unethical actions.

**Intellectual property** refers to property that is the product of intellectual activity, such as computer software, a screenplay, a music score, or the chemical formula for a new drug.

A **patent** grants the inventor of a new product or process exclusive rights for a defined period to the manufacture, use, or sale of that invention.

**Copyrights** are the exclusive legal rights of authors, composers, playwrights, artists, and publishers to publish and disperse their work as they see fit.

**Trademarks** are designs and names, officially registered, by which merchants or manufacturers designate and differentiate their products.

**World Intellectual Property Organization** is an international organization whose members sign treaties to agree to protect intellectual property.

**Paris Convention for the Protection of Industrial Policy** is an international agreement to protect intellectual property.

**Product safety laws** set certain safety standards to which a product must adhere.

**Product liability** involves holding a firm and its officers responsible when a product causes injury, death, or damage.